

Message Text

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C O N F I D E N T I A L PRAGUE 3518

EXDIS

E.O. 11652: GDS
TAGS: PFOR, EFIN, CZ
SUBJECT: CLAIMS/GOLD: MEETING WITH FOREIGN MINISTER CHNOUPEK

1. THIS MESSAGE IS AN AMPLIFICATION OF SANITIZED VERSION OF
AMBASSADOR'S DISCUSSION OF CLAIMS/GOLD WITH CHNOUPEK REPORTED
IN PRAGUE 3517.

2. CHNOUPEK OPENED BY CHARACTERIZING WHAT HAD BEEN ACCOMPLISHED
IN PAST AS POSITIVE STEPS TO IMPROVE RELATIONS, WHICH, HOWEVER,
"GOT ONLY AS FAR AS CONGRESS." SINCE 1974 COMPLETION OF NEGOTIATIONS
ON CLAIMS SETTLEMENT, THIS MAIN PROBLEM IN OUR RELATIONS HAS
REMAINED AT A STANDSTILL, IN SPITE OF THE POSITIVE SPIRIT
STEMMING FROM CHNOUPEK'S MEETINGS WITH SECRETARY ROGERS HERE IN
1973 AND SECRETARY KISSINGER AT HELSINKI IN 1975. "IT IS A
COMPLICATED PROBLEM, BUT I AM REALISTIC," SAID CHNOUPEK.

3. HE COMPLAINED RATHER WEAKLY THAT GOC HAD NOT BEEN "OFFICIALLY
INFORMED" UNTIL LAST MONTH THAT DUE TO CONGRESSIONAL ACTION IT
WOULD BE NECESSARY TO RENEGOTIATE THE SETTLEMENT ARRANGEMENTS.

4. CHNOUPEK WAS DEEPLY IMPRESSED WITH EFFORT SCOTT HAD SPENT IN
RESEARCHING THE PROBLEM. IN THE END, HOWEVER, HE SAID EVERYTHING
SEEMS TO DEPEND ON SENATOR LONG, BUT SEEMED PUZZLED THAT ADMINISTRATI
ON
COULD NOT BE MORE EFFECTIVE. AT THIS POINT, HE BEGAN TO DISCUSS
HISTORY OF THE CLAIMS NEGOTIATIONS AND THE GOC DESIRE FOR
"NORMALIZATION" WITH THE UNITED STATES. HE INTERJECTED PHILOSO-
PHICALLY THAT CZECHOSLOVAKIA HAS GOT ALONG FOR THIRTY YEARS WITHOUT
THE GOLD AND WILL SURVIVE IN THE FUTURE WITHOUT IT, IF NECESSARY.

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HE WONDERED WHETHER WITH NEW ADMINISTRATION IN WASHINGTON MATTERS

MIGHT BE ASSESSED DIFFERENTLY; PERHAPS THERE MIGHT EVEN BE SOME CHANGE IN ATTITUDE OF THE NEW CONGRESS. HE CAME BACK TO THE CENTRAL POSITION OF SENATOR LONG IN THE MATTER AND SAID THAT PERHAPS GOC SHOULD INVITE LONG TO PRAGUE SO THAT HE COULD DISCUSS THE PROBLEM DIRECTLY WITH CZECHOSLOVAK LEADERS. CHNOUPEK CONCLUDED BY SAYING THAT "NOT ONLY GOLD BUT WORLD WAR II IS INVOLVED"-- THIS IS ONE OF THE REMAINING QUESTIONS OF THAT WAR WHICH MUST BE RESOLVED.

5. CHNOUPEK THEN ASKED WHAT "GUARANTEE" THERE WAS THAT, AFTER TWO PREVIOUSLY NEGOTIATED SETTLEMENTS OF 1964 AND 1974 HAD BEEN REJECTED, A THIRD WOULD NOT ALSO BE REJECTED. HE WONDERED WHAT IT WOULD TAKE TO REACH AN AGREEMENT; "PEOPLE HAVE SPOKEN OF 100

PERCENT, 41, 42, 50 PERCENT," HE WAS NOT SURE WHAT WOULD BE REQUIRED. REJECTIONS OF INITIALED AGREEMENTS ARE UNFORTUNATE HE SAID, BECAUSE THEY MAKE THE NEGOTIATORS LOOK BAD IN THE EYES OF THOSE THEY ARE RESPONSIBLE TO--IN HIS CASE THE CZECHOSLOVAK " PARLIAMENT." HE POINTEDLY COMPLAINED OF THE CONGRESSIONAL LINKAGE OF SECTION 408 OF THE TRADE ACT AND THE JACKSON-VANIK AMENDMENT WITH CLAIMS SETTLEMENT.

6. CHNOUPEK OPINED THAT THE TWO SIDES WERE NOW BACK AT SQUARE ONE AND SHOULD AGREE ON HOW TO PROCEED. HE SAID HE MUST LET PRIME MINISTER STROUGAL KNOW US OFFICIAL POSITION, CLEARLY INFERRING ALSO THAT NEXT STEP WAS UP TO US. HE CONCLUDED THAT, AFTER FURTHER STUDY BY CZECHOSLOVAK MFA AND THE USG, "IN THE FUTURE DIALOGUE WE COULD SPECIFY OUR STANDPOINT."

7. I DESCRIBED STRENGTH OF CONGRESSIONAL FEELING THAT OUR CITIZENS MUST BE ADEQUATELY COMPENSATED FOR EXPROPRIATIONS AND SAID WHILE SENATOR LONG HAD TAKEN LEAD IN THIS REGARD, HE HAD STRONG CONGRESSIONAL SUPPORT. I EXPRESSED SURPRISE THAT SCOTT, THOUGH ACTING IN UNOFFICIAL CAPACITY, HAD NOT BEEN ABLE TO OBTAIN A GO-AHEAD ON A SETTLEMENT OF 50 PERCENT OF THE ADJUDICATED CLAIMS IN HIS TALKS ON CAPITOL HILL. I THEN URGED THAT, IF THIS OFFER HOLDS, SOMETHING SHOULD BE DONE ABOUT IT. SINCE CONGRESS HAS A LEGITIMATE AND IMPORTANT ROLE TO PLAY IN FOREIGN AFFAIRS UNDER THE US SYSTEM, HOWEVER, WE CAN NEVER "GUARANTEE" THAT A NEGOTIATED AD REFERENDUM

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SETTLEMENT WILL BE AUTOMATICALLY APPROVED.

8. I STRONGLY STATED THE NECESSITY OF REACHING A CLAIMS SETTLEMENT BEFORE TURNING TO MFN. I WENT ON TO SAY THAT IF SCOTT'S VIEW OF THE SITUATION IS CORRECT--WHICH I THOUGHT IT PROBABLY WAS-- SENATOR LONG MIGHT INDEED BE AMENDABLE TO SOME COMPROMISE OF HIS EARLIER INSISTENCE ON A 100 PERCENT COMPENSATION. I ALSO NOTED THAT SOME CLAIMS SETTLEMENTS HAD GONE AS HIGH AS 75

PERCENT OR MORE AND REMINDED CHNOUPEK THAT CONGRESS IS PRESENTLY TAKING A MUCH CLOSER INTEREST IN THESE MATTERS THAN IT USED TO. WHILE THERE APPEARS TO BE SOME FLEXIBILITY, I EMPHASIZED THAT FIFTY CENTS ON THE DOLLAR MUST BE CONSIDERED THE MINIMUM ACCEPTABLE SETTLEMENT.

9. I ASSUMED THAT MFN MIGHT WELL BE AGAIN CONSIDERED BY THE NEW ADMINISTRATION, BUT REITERATED THAT MFN DISCUSSIONS MUST FOLLOW A CLAIMS SETTLEMENT.

10. I CLOSED BY SAYING THE US SIDE WOULD STUDY THE CLAIMS/GOLD PROBLEM SOME MORE AND HOPED THE CZECHOSLOVAK SIDE WOULD ALSO DO SO.

11. WE ARE PREPARING SEPTTEL WITH THOUGHTS ON WHERE WE GO FROM HERE, NOW THAT IT APPEARS THAT GOC, AS CHNOUPEK ARTICULATES ITS POSITION, IS FINALLY RESIGNED TO RENEGOTIATION.
BYRNE

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